

OPERATIONALIZING T+1 |

Global Key Findings

DTCC

T+1

DTCC FORWARD

In February 2023, the U.S. Securities and Exchange Commission (SEC) adopted final requirements for a May 28, 2024, T+1 implementation date for transactions in U.S. cash equities, corporate debt, and unit investment trusts, bringing much needed clarity for firms to better plan for this important industry initiative.

According to new research conducted by the ValueExchange and sponsored by The Depository Trust & Clearing Corporation (DTCC) and the Canadian Depository for Securities (CDS), with the support of the Association for Financial Markets in Europe (AFME), the Canadian Capital Markets Association (CCMA) and ISITC, many market participants face enterprise-wide challenges around the move to T+1, with responses indicating varying levels of preparedness across firm types and geographic locations, as well as numerous impacts across the trade lifecycle.

Survey respondents highlighted:

- T+1 will impact the middle office, settlement, fails management, securities lending, and the corporate actions segments of the trade lifecycle.
- While 42% of respondents have ongoing, funded initiatives for T+1, 41% of respondents have not yet begun their preparations.
- Challenges are especially felt by the buy-side, with 61% of firms unprepared for the transition, primarily across mid-tier and boutique organizations.
- Over 50% of European and Asia-Pacific market participants have not defined their plans to manage critical areas such as foreign exchange and securities lending.
- In anticipation of the operational impact of T+1, 23% of investors are moving to centralized SSIs and trade matching to alleviate future service provider challenges.

With an established transition date, market participants can begin their focused preparation for T+1 by the May 2024 deadline, regardless of geographical location. Significant challenges remain, and DTCC will continue to partner closely with the industry to promote a successful move to T+1 and safeguard the stability of the markets. We are ready to work collaboratively with market participants to test, assess workflows, optimize global operating models, and drive greater automation.

Helpful Resources:

- Review [updated documentation](#), including the [DTCC T+1 Detailed Testing Framework](#).
- Learn about our [Institutional Trade Processing services](#) to further automate existing post-trade processing workflows and improve same day affirmation rates.
- Contact DTCC [Consulting Services](#) for help addressing upstream and downstream lifecycle impacts.

Operationalizing T+1: Overview



How, where and when are we preparing for the transition to T+1 settlement cycles in the USA and Canada?

Led by **DTCC** and **CDS**, with the support of **AFME**, the **CCMA** and **ISITC**, this ValueExchange survey sets out to explain how the world is preparing for T+1 today. Leveraging insights from across the globe, this survey is intended to provide a valuable resource to those planning their own preparations in 2023 – by providing practical, statistical insights that can directly contribute to your own thinking.

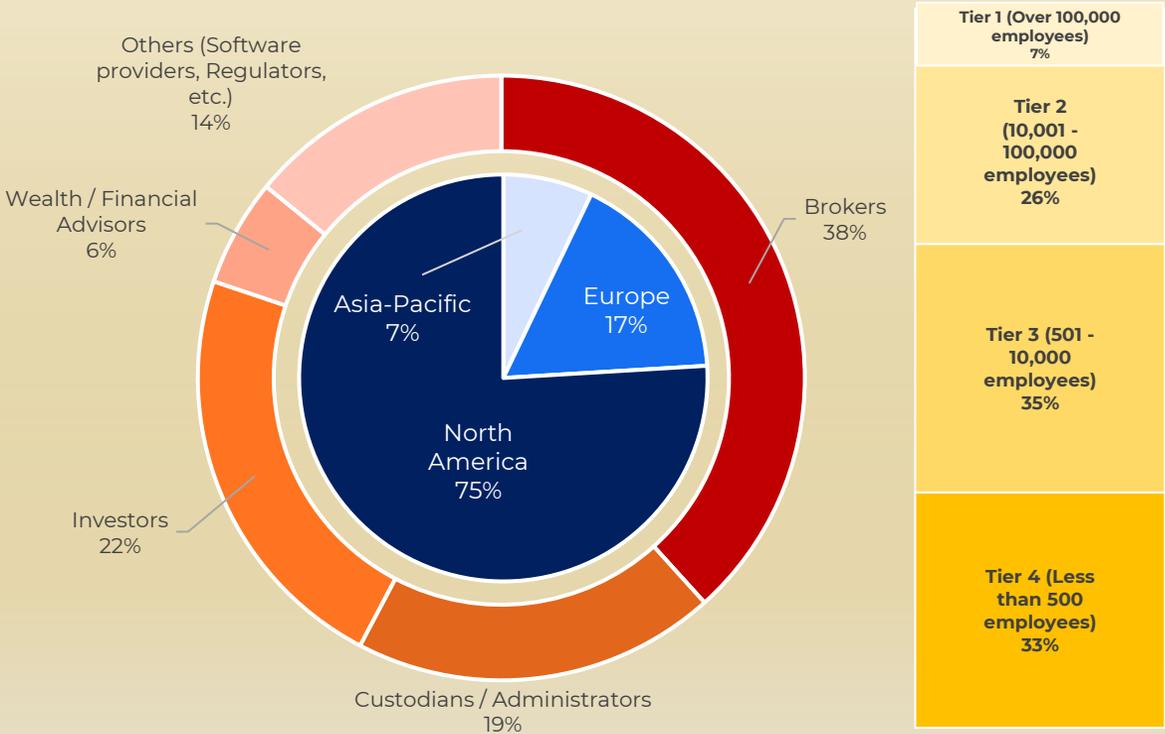
This document summarises the **key statistical findings** of our campaign. If you would like to benchmark your own T+1 plans then please complete our global survey using the QR code below. If you would like to discuss your preparations further, please contact us at info@thevalueexchange.co



If you would like to benchmark your own T+1 plans, please complete the survey here

Who participated in our campaign?

As a truly industry-wide survey, we have benefited from the insights of over **287 organisations across the investment-cycle globally so far**. These respondents are broken down as follows:



Operationalizing T+1:

Our findings in ten key points



Key Data Points

T+1's strongest impact is not in North America

Global custodians in Europe and Asia-Pacific are feeling a **4.7/5** impact from T+1

T+1 is an enterprise challenge

Impacting **six** activities across the trade cycle

Preparation for T+1 is a key challenge

41% of the industry (and 61% of investors) have yet to begin T+1 preparations

...creating a market readiness issue

Only **46%** of the market is on course to be ready for T+1 in March 2024

Operating rules are just the beginning:

66% of the market is struggling to resource T+1 projects

Key Themes

Investors

are so far not engaged on T+1 and risk over-estimating their reliance on their service providers to be ready

Brokers

see significant challenges and costs in realising T+1 – having to address internal (legacy) technology and external messaging challenges at once

Tier 2 and Tier 3 firms

need to begin engaging on T+1, given the amount of automation that still lies ahead for them

Europeans

struggle with FX as a headline issue – with little clarity emerging so far from funding banks

Securities lending

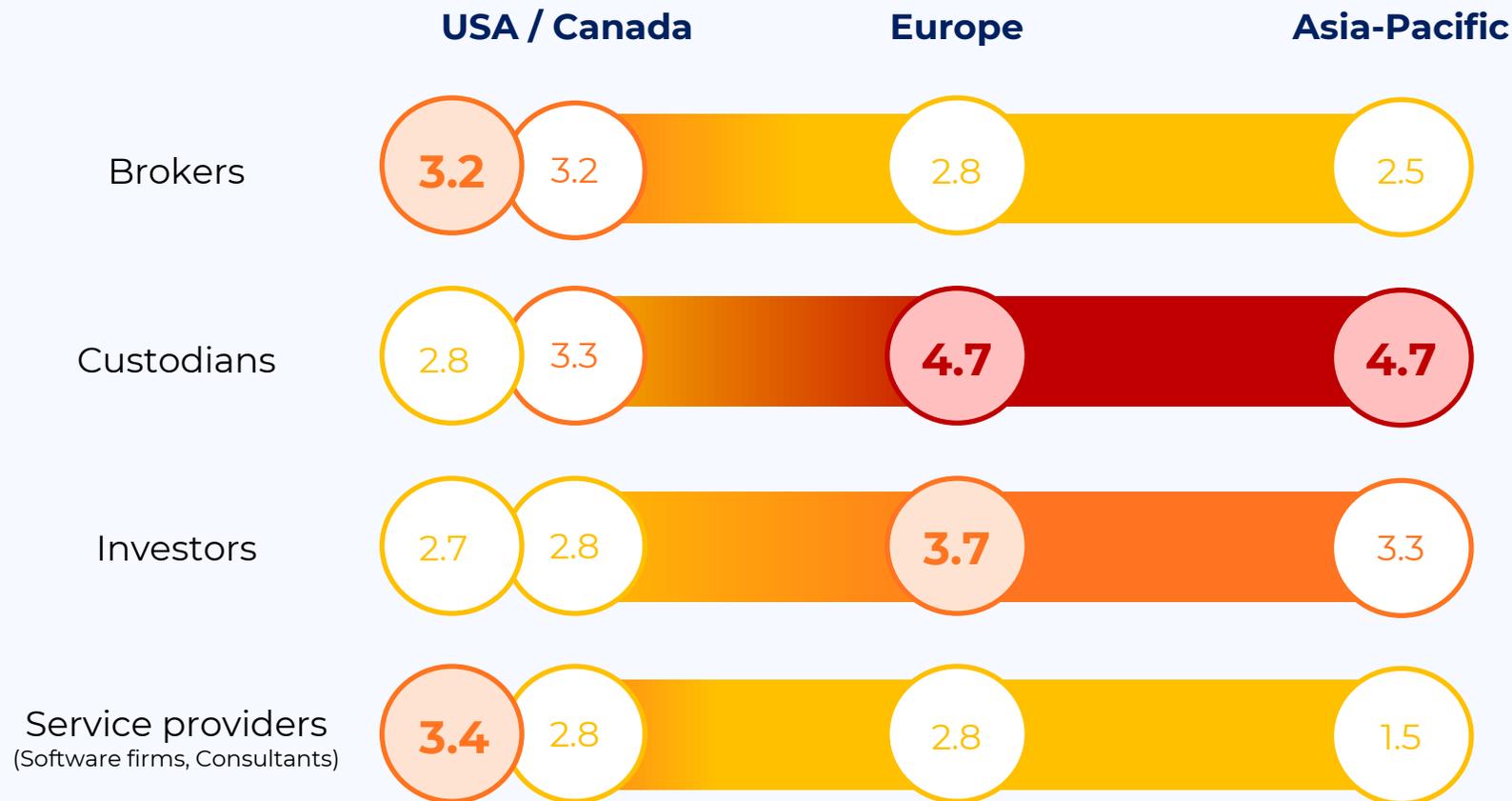
remains a core challenge, with less than 45% of the market ready today



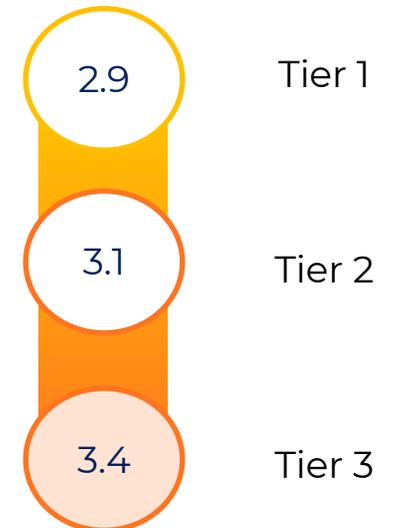
T+1's strongest impact is not in North America

Brokers and Service Providers are shouldering the impact in North America – but Custodians and Investors carry a heavier burden overseas

T+1 impact by location of respondent (0-5 scale)



...and smaller firms are hardest hit by T+1



T+1 is an enterprise challenge

Six activities are strongly impacted in the average firm – plus FX for investors

T+1's projected impact by activity (0-5 scale)



... and FX is a big issue for investors

Investors

3.5

2.4

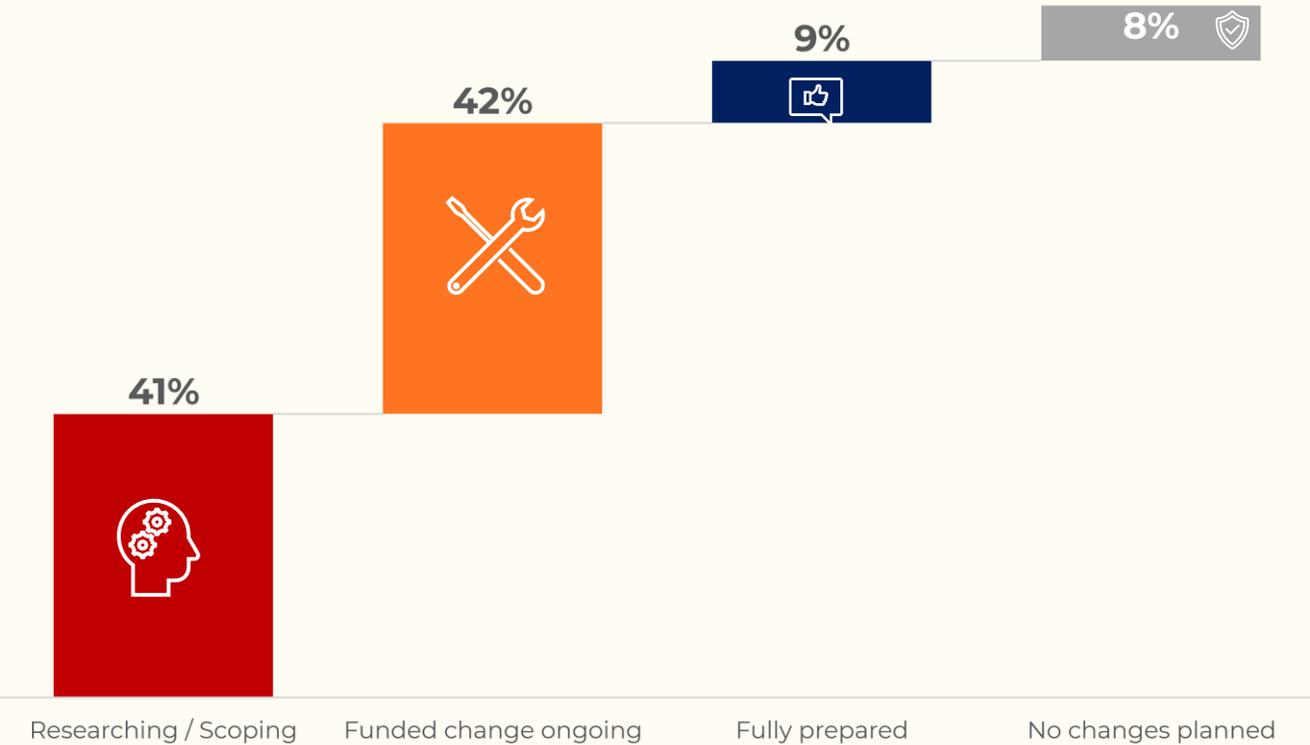
Brokers & Custodians



Preparation for T+1 is a core issue

41% of the market still hasn't begun planning for T+1

Stages of T+1 readiness, broken down by % of respondents



...and 61% of investors are in the early stages of readiness

	USA market	Canadian market
Brokers	40%	38%
Custodians	33%	32%
Institutional Investors	61%	61%

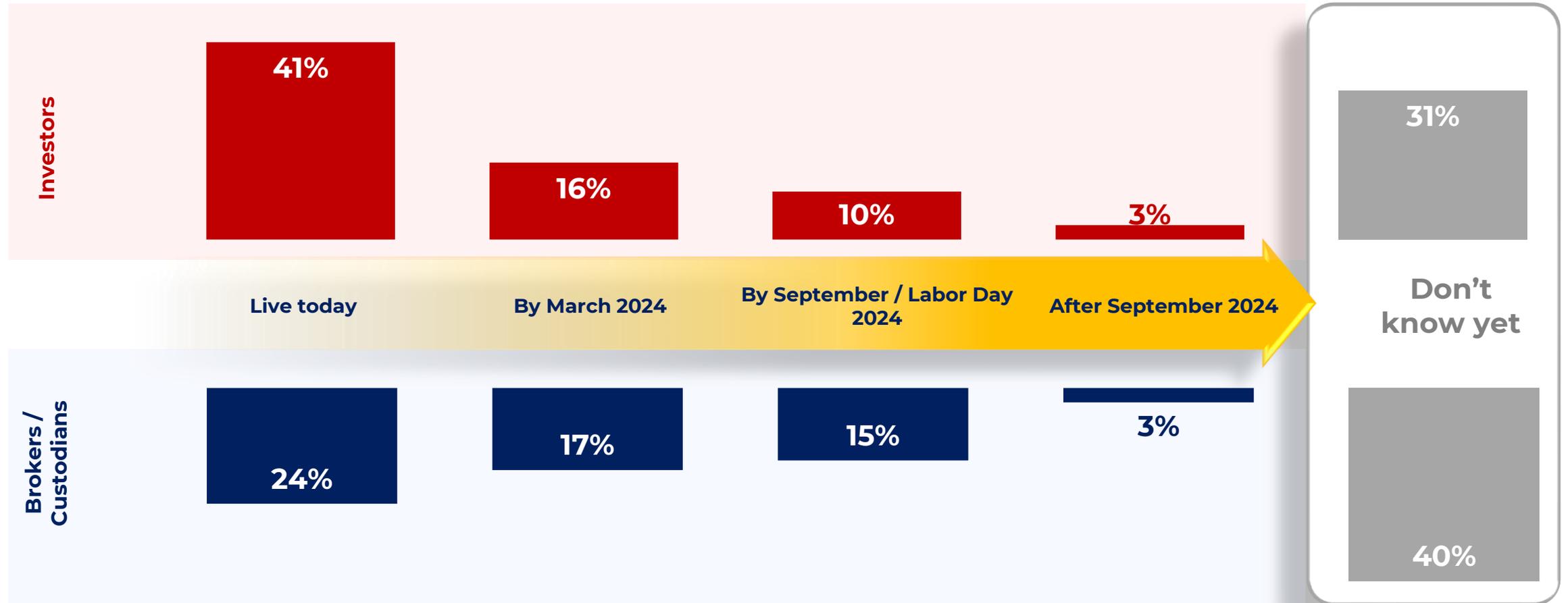
(% of respondents still scoping or with no changes planned, per investment market)



...leading to a market readiness challenge

Only 46% of the market is expecting to be ready for T+1 by March 2024. Can the rest catch up in 12 months?

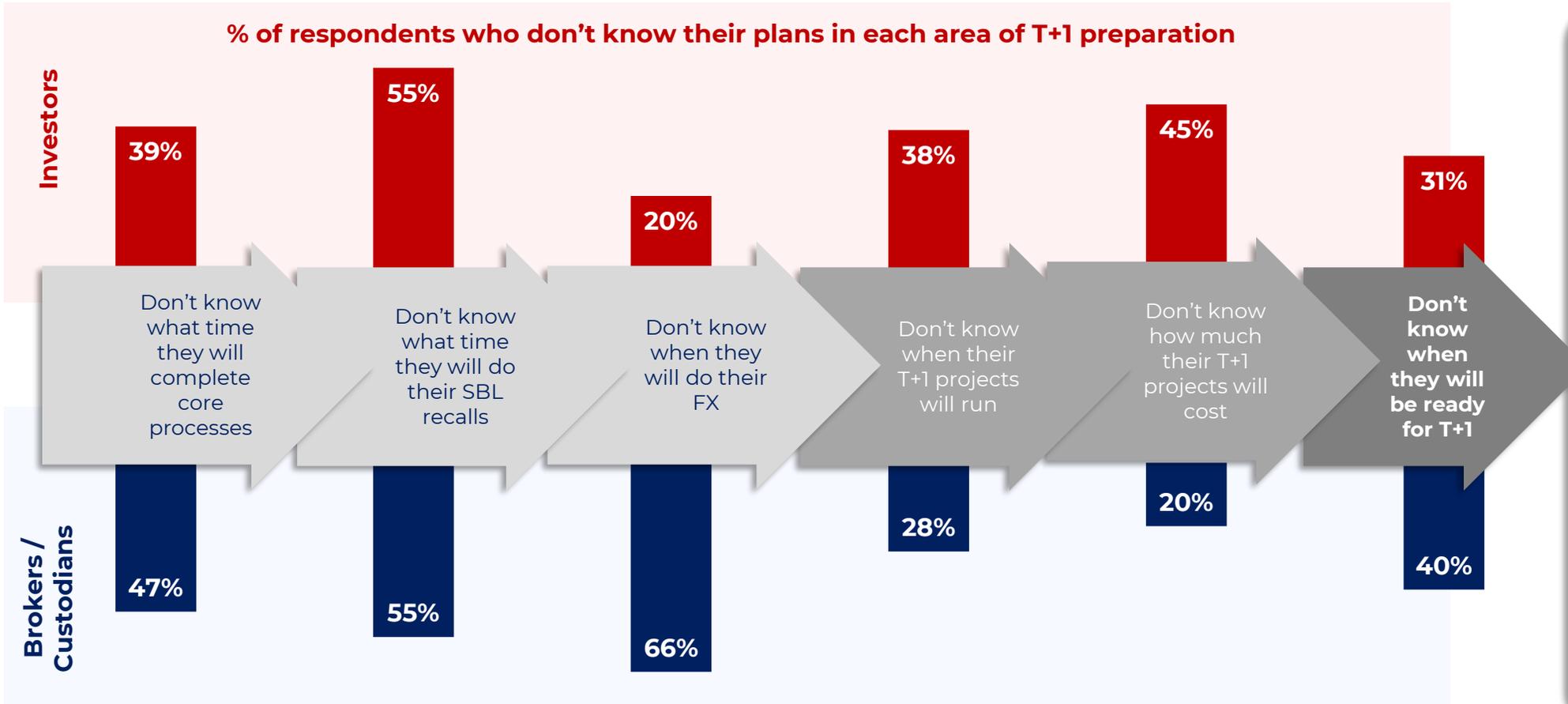
Expected readiness timings for key tasks after T+1
(% of respondents planning to reach intended T+1 timings)



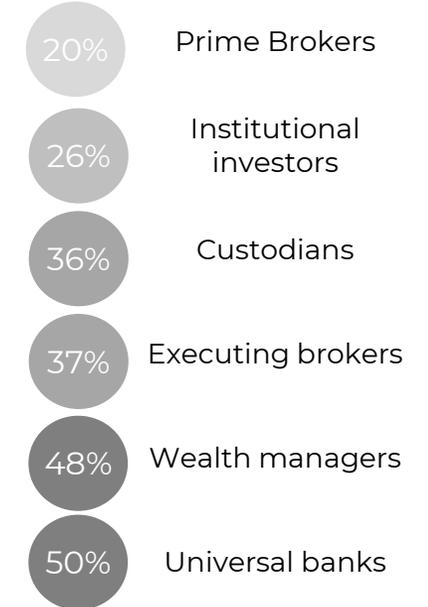
The “Don’t Know” problem is a significant challenge

In a market of interdependencies – who goes first?

% of respondents who don't know their plans in each area of T+1 preparation



Who is leading and who is following?



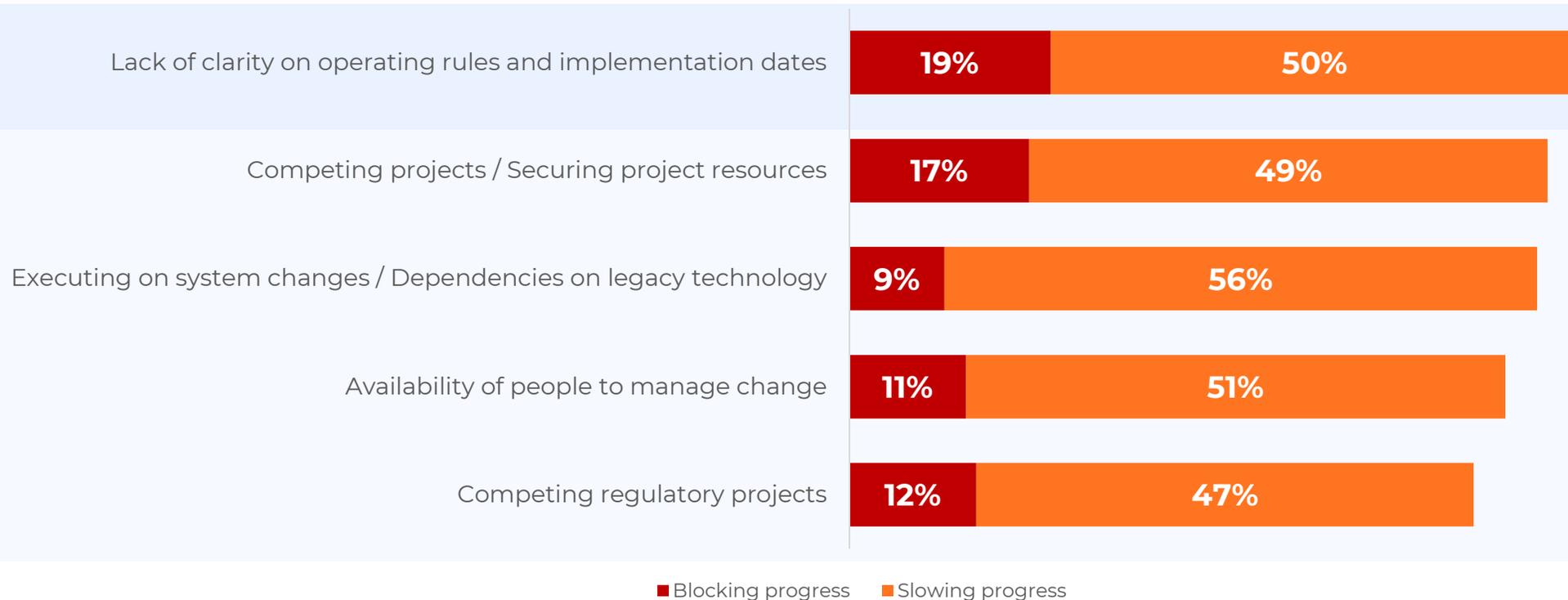
% of respondents who don't know when they will be ready for T+1 – by industry segment



...and providing clarity on launch dates is just the beginning

Key issues such as budget allocations and legacy technology dependencies still lie ahead

% of respondents facing T+1 preparation issues that either block or slow their progress, broken down by issue



Where are the major risk points today?

Global market participants: T+1 impact varies by region: securities are the problem in Europe and Funds in Asia-Pacific

T+1 is impacting market participants everywhere



North America **3.0**



Europe **3.4**

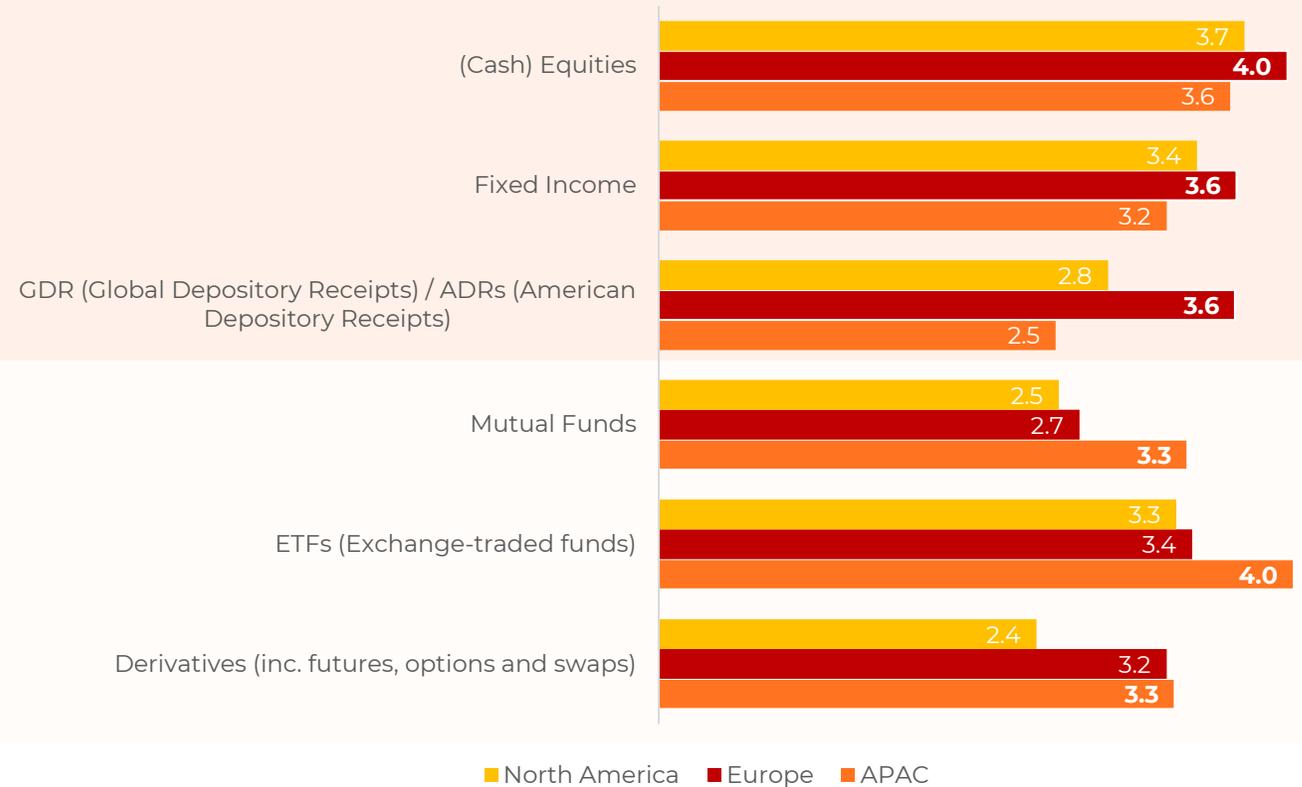


Asia-Pacific **3.3**

Cash / Securities are most challenging for Europeans

Funds and derivatives are most challenging for Asia-Pacific

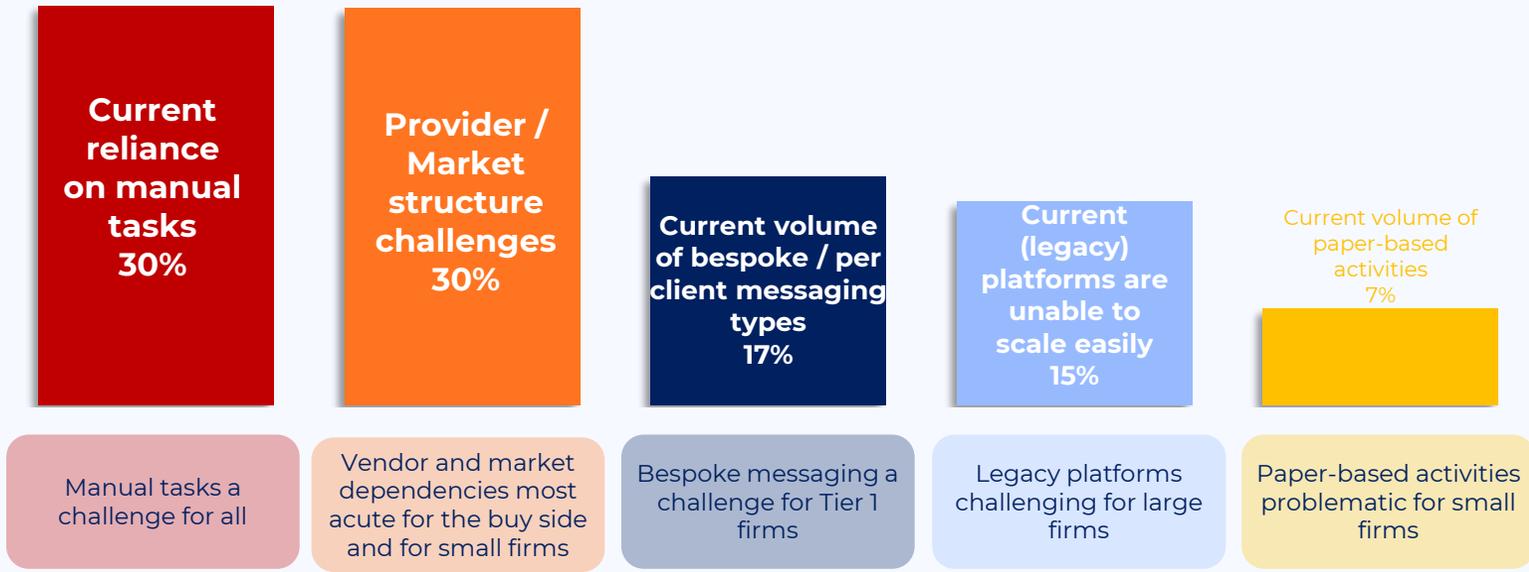
...but the impact is felt differently by region



What is driving T+1's impact?

A complex mix of challenges to contend with – relying on both internal and external resources to address

Why do you expect T+1 to have an effect on your processing?
(% of respondents citing each challenge)



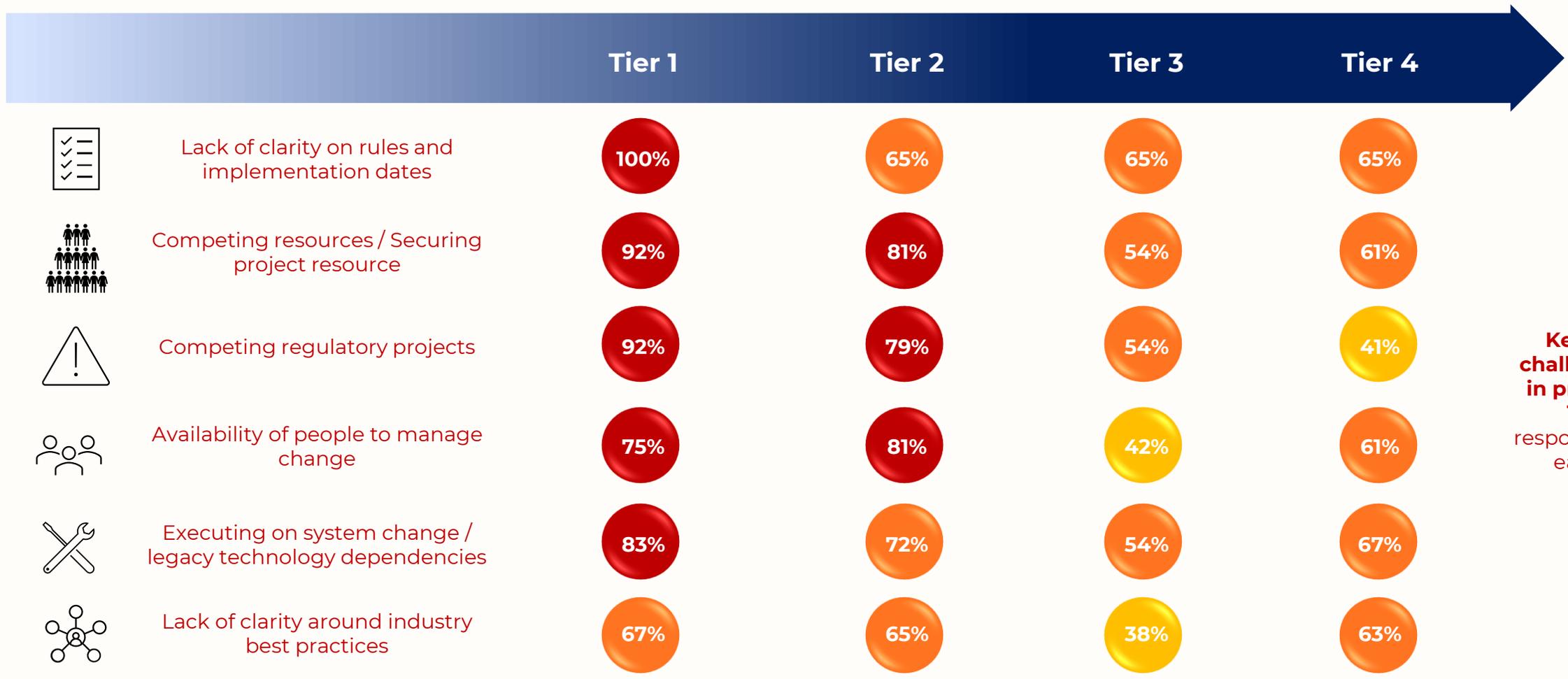
Account opening / onboarding	Manual tasks
Trade execution	Market / Provider challenges
Middle Office	Manual tasks
Foreign Exchange	Market / Provider challenges
Funding	Market / Provider challenges
Settlement	Manual tasks
Fails Mgt	Manual tasks
Securities Lending	Market / Provider challenges
Collateral management	Manual tasks
Corporate Actions	Manual tasks
Valuations	Market / Provider challenges

#1 driver of T+1 impact per activity



Where are our T+1 execution risks?

Extensive challenges amongst Tier 1 firm; with resourcing a key dependency for many

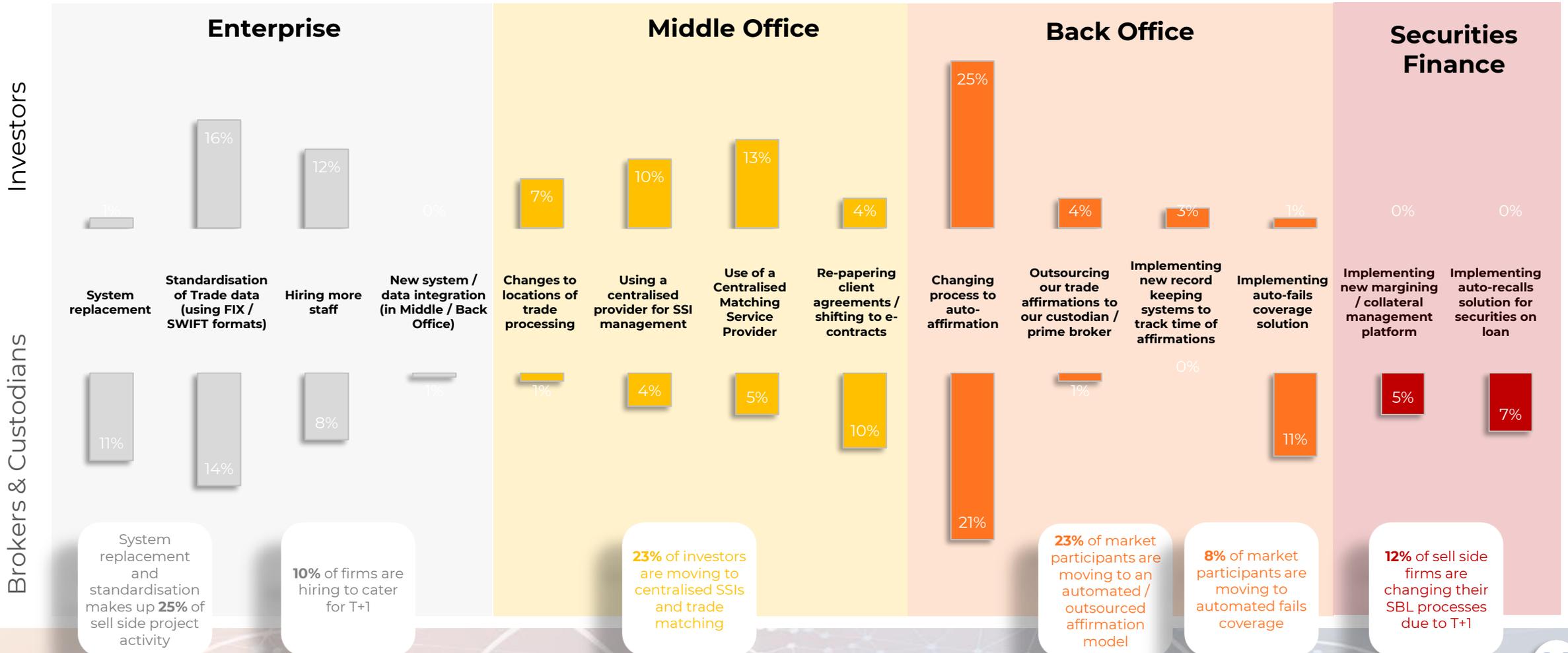


Key internal challenges faced in preparing for T+1 (% of respondents citing each issue)

Where is the project activity?

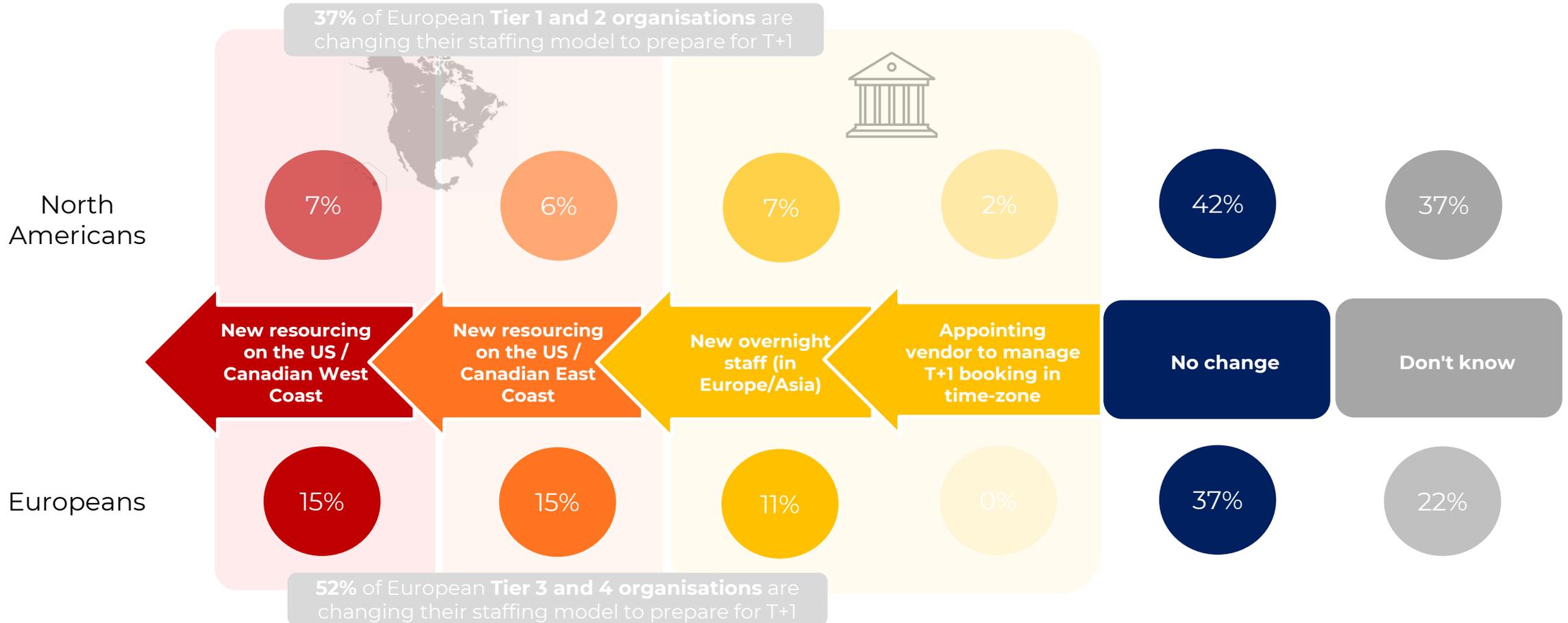
37% of all T+1 activity is focused on process automation

Total project activity by segment, (% of respondents per segment working on each area)



How are we adapting our footprints to cater for T+1?

T+1 is a footprint and staffing issue for 25% of the industry



Operationalizing T+1: What next?





If you would like to benchmark your own T+1 plans, please complete the survey here

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